

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

*(Mark One)*

- ☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **September 30, 2008**.
- ☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: **000-29321**

**ALLIED RESOURCES, INC.**  
(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**000-31390**  
(I.R.S. Employer  
Identification No.)

**1403 East 900 South, Salt Lake City, Utah 84105**  
(Address of principal executive offices) (Zip Code)

**(801) 582-9609**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company as defined by Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

At November 13, 2008, the number of shares outstanding of the registrant's common stock, \$0.001 par value (the only class of voting stock), was 5,653,011.

## **TABLE OF CONTENTS**

### **PART I – FINANCIAL INFORMATION**

Item 1.	Financial Statements.....	3
	Balance Sheets as of September 30, 2008 (unaudited) and December 31, 2007 (audited) .....	4
	Unaudited Condensed Statements of Income for the three and nine month periods ended September 30, 2008 and September 30, 2007 .....	5
	Unaudited Condensed Statements of Cash Flows for the nine month periods ended September 30, 2008 and September 30, 2007 .....	6
	Condensed Notes to Unaudited Financial Statements .....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations ...	8
Item 3.	Quantitative and Qualitative Disclosures about Market Risk.....	16
Item 4T.	Controls and Procedures .....	16

### **PART II – OTHER INFORMATION**

Item 1.	Legal Proceedings.....	17
Item 1A.	Risk Factors .....	17
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.....	20
Item 3.	Defaults upon Senior Securities.....	20
Item 4.	Submission of Matters to a Vote of Securities Holders.....	20
Item 5.	Other Information .....	20
Item 6.	Exhibits.....	20
	Signatures.....	21
	Index to Exhibits .....	22

## **PART I – FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

As used herein, the terms “Allied,” “we,” “our,” “us,” “it,” and “its” refer to Allied Resources, Inc., a Nevada corporation, unless otherwise indicated. In the opinion of management, the accompanying unaudited financial statements included in this Form 10-Q reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

ALLIED RESOURCES, INC.

BALANCE SHEETS

	September 30, 2008 (Unaudited)	December 31, 2007 (Audited)
<u>ASSETS</u>		
Current assets:		
Cash	\$ 907,406	441,130
Accounts receivable	196,215	144,996
Other assets	-	2,643
Total current assets	1,103,621	588,769
 Oil and gas properties (proven), net (successful efforts method)	 1,195,273	 1,282,200
Deferred tax asset	852,000	995,000
Deposits	704,701	704,701
Total assets	\$ 3,855,595	3,570,670
 <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 7,936	3,929
Accrued liabilities	-	5,600
Total current liabilities	7,936	9,529
 Asset retirement obligation	 166,957	 160,966
Accrued tax liabilities	40,000	40,000
Total liabilities	214,893	210,495
 Commitments and contingencies		
Stockholders' equity:		
Common stock, \$.001 par value; 50,000,000 shares authorized, 5,653,011 issued and outstanding	 5,653	 5,653
Additional paid-in-capital	9,723,302	9,723,302
Accumulated deficit	(6,088,253)	(6,368,780)
Total stockholders' equity	3,640,702	3,360,175
 Total liabilities and stockholders' equity	\$ 3,855,595	3,570,670

The accompanying notes are an integral part of these financial statements

ALLIED RESOURCES, INC  
UNAUDITED CONDENSED STATEMENTS OF INCOME

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Oil and gas revenues	\$ <u>324,317</u>	<u>221,037</u>	<u>1,017,469</u>	<u>611,329</u>
Operating expenses:				
Production costs	129,111	114,178	383,422	327,141
Depletion	28,182	10,276	86,927	30,430
General and administrative expenses	<u>44,674</u>	<u>52,636</u>	<u>133,943</u>	<u>126,127</u>
	<u>201,967</u>	<u>177,090</u>	<u>604,292</u>	<u>483,698</u>
Income from operations	122,350	43,947	413,177	127,631
Interest income	<u>3,652</u>	<u>11,598</u>	<u>10,350</u>	<u>40,024</u>
Income before provision for income taxes	126,002	55,545	423,527	167,655
Provision for income taxes - deferred	<u>42,000</u>	<u>27,000</u>	<u>143,000</u>	<u>62,000</u>
Net income	\$ <u><u>84,002</u></u>	<u><u>28,545</u></u>	<u><u>280,527</u></u>	<u><u>105,655</u></u>
Income per common share - basic and diluted	\$ <u><u>0.01</u></u>	<u><u>0.01</u></u>	<u><u>0.05</u></u>	<u><u>0.02</u></u>
Weighted average common shares - basic and diluted	<u><u>5,653,000</u></u>	<u><u>5,653,000</u></u>	<u><u>5,653,000</u></u>	<u><u>5,653,000</u></u>

The accompanying notes are an integral part of these financial statements

ALLIED RESOURCES, INC  
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS  
Nine Months Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Cash flows from operating activities:</u>		
Net income	\$ 280,527	105,655
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion and amortization	86,927	30,430
Accretion expense	5,991	5,605
Deferred tax asset	143,000	62,000
(Increase) decrease in:		
Accounts receivable	(51,219)	(9,433)
Other assets	2,643	-
Deposits	-	(79,538)
Increase (decrease) in:		
Accounts payable	4,007	10,089
Accrued liabilities	(5,600)	16,800
Accrued tax liabilities	-	(20,000)
	<u>466,276</u>	<u>121,608</u>
Net cash provided by operating activities		
	<u>466,276</u>	<u>121,608</u>
<u>Cash flows from investing activities:</u>		
Purchase of oil and gas properties	-	(510,205)
	<u>-</u>	<u>(510,205)</u>
Net cash used in investing activities		
	<u>-</u>	<u>(510,205)</u>
<u>Cash flows from financing activities:</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	466,276	(388,597)
Cash, beginning of period	<u>441,130</u>	<u>1,107,191</u>
Cash, end of period	\$ <u><u>907,406</u></u>	<u><u>718,594</u></u>

The accompanying notes are an integral part of these financial statements

ALLIED RESOURCES, INC.  
CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS  
September 30, 2008

Note 1 – Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by management in accordance with the instructions in Form 10-Q and, therefore, do not include all information and footnotes required by generally accepted accounting principles and should, therefore, be read in conjunction with the Company's Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission. These statements do include all normal recurring adjustments which the Company believes necessary for a fair presentation of the statements. The interim operations are not necessarily indicative of the results to be expected for the full year ended December 31, 2008.

Note 2 – Additional Footnotes Included By Reference

Except as indicated in the following Notes, there have been no other material changes in the information disclosed in the notes to the financial statements included in the Company's Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission. Therefore, those footnotes are included herein by reference.

Note 3 – Supplemental Cash Flow Information

During the nine months ended September 30, 2007, the Company increased the accumulated deficit and recorded an income tax liability of \$60,000 as a result of the adoption of FIN 48.

Note 4 – Stock Options

During 2008, the Company has adopted a stock option plan (the Plan). Under the Plan, the Company may grant options to acquire the Company's common stock from time to time to employees, directors, officers, consultants or advisors of the Company on the terms and conditions set forth in the Plan. As of September 30, 2008, no options have been granted.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This *Management's Discussion and Analysis of Financial Condition and Results of Operations* and other parts of this quarterly report contain forward-looking statements that involve risks and uncertainties. Forward-looking statements can also be identified by words such as "anticipates," "expects," "believes," "plans," "predicts," and similar terms. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include but are not limited to those discussed in the subsection entitled *Forward-Looking Statements and Factors That May Affect Future Results and Financial Condition* below. The following discussion should be read in conjunction with our financial statements and notes thereto included in this report. Our fiscal year end is December 31. All information presented herein is based on the three and nine month periods ended September 30, 2008.

### **ALLIED**

Allied is an independent oil and natural gas producer involved in the exploration, development, production and sale of oil and gas derived from properties located in Calhoun and Ritchie Counties, West Virginia, and Goliad, Edwards and Jackson Counties, Texas.

### **Discussion and Analysis**

Allied's intends to utilize net cash flow from operations to purchase additional non-operated oil and gas producing properties, acquire available oil and gas leases as a licensed operator and implement improved production practices on existing wells. Our criteria for purchasing producing oil and gas properties is defined by short term returns on our investment, long term growth in cash flows, and potential for additional development. We are also focused on acquiring oil and gas leases with proven historical production that can translate into future revenue. The recent decrease in energy prices has increased the inventory of abandoned oil and gas leases that may translate into future valuable prospects for revitalized production. Meanwhile we continue to focus on enhancing production from our existing inventory of wells.

### ***West Virginia Well Information***

Allied owns varying interests in a total of 145 wells in West Virginia on several leases held by an independent operator. Some leases contain multiple wells. All the wells in which we have an interest are situated on developed acreage spread over 3,400 acres in Ritchie and Calhoun Counties. Depth of the producing intervals varies from 1,730 ft to 5,472 ft. Allied believes that operating in West Virginia has certain advantages over other locations, including:

- relatively inexpensive drilling and completion operations, and
- the absence of poisonous gas often associated with oil and gas production.

Many of our wells are situated on the same leases and as such share production equipment in order to minimize lease operating costs.

Our working interest is defined as interest in oil and gas that includes responsibility for all drilling, developing, and operating costs varying from 18.75% to 75%. Our net revenue interest is defined as that portion of oil and gas production revenue after deduction of royalties, varying from 15.00% to 65.625%.



### ***Texas Well Information***

Allied owns varying interests in a total of 13 wells in Texas on four leases held by independent operators. All the wells in which we have an interest are situated on developed acreage spread over 2,510 acres in Goliad, Edwards and Jackson Counties. Depth of the producing intervals varies from 7,600 ft to 9,600 ft.

Our working interest is defined as interest in oil and gas that includes responsibility for all drilling, developing, and operating costs varying from 3.73% to 21%. Our net revenue interest is defined as that portion of oil and gas production revenue after deduction of royalties, varying from 2.68% to 12.75%.

### ***Recent Acquisitions***

- Effective May 1, 2007 we acquired a non-operated 5.4221% working interest and net royalty interest of 3.9388%, in the Harper #2 well located within the Ramon Musquiz Survey, A-29, in Goliad, Texas. The Harper #2 well is operated by Hankey Oil Company of Houston, Texas and produces from the Wilcox formation.
- Effective August 1, 2007 we acquired a non-operated 5.4375% working interest and various net revenue interests ranging from 4.2275% to 4.2325% in ten properties located in Sections 24, 41, 42 and 46 of the CCSD & RGNG RR Co. Survey, Edwards County Texas. The properties are operated by Marshall & Winston, Inc. of Midland, Texas and produce the Frances Hill (Penn Lower) field from the Canyon Sands formation.
- Effective October 1, 2007 we acquired a non-operated 3.73% working interest and a 2.68% net revenue interest in the Williams #1 well located within the John Alley Survey, A-3, Jackson County, Texas. The Williams #1 well is operated by Magnum Producing, LP of Corpus Christi, Texas and produces from the Wilcox formation.
- Effective October 1, 2007 we acquired a non-operated 21% working interest and a 12.75% net revenue interest in the Brinkoeter #4 well located within the V. Ramos Survey, A-241, Goliad County, Texas. The Brinkoeter #4 well is operated by Marquee Corporation of Houston, Texas and produces from the Massive formation.

Allied's business development strategy is prone to significant risks and uncertainties certain of which can have an immediate impact on net cash flow. The recent downturn in the prices paid for oil and natural gas is one good example of uncertainties associated with the energy sector. Another is the uncertainty associated with production volumes as older wells deplete over time. However, decreases in prices can also translate into new opportunities, such as the purchase of additional production at today's low points, on the expectation that volatility in energy prices will trend up again in the near term.

### **Results of Operations**

Allied's financial condition, results of operations and the carrying value of our oil and natural gas properties depends primarily upon the prices we receive for oil and natural gas production and the quantity of that production. Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future. This price volatility can immediately affect Allied's available cash flow which can in turn impact the availability of net cash flow for capital expenditures. A drop in oil and natural gas prices could also incur a write down of the carrying value of our properties as can future decreases in production. Allied's continued success will depend on oil and natural gas prices and production quantities. Since production leads to the depletion of oil and gas reserves, Allied's ability to develop or acquire economically recoverable oil and gas reserves is vital to continued operations. Unless Allied continues to obtain additional reserves, declines in production will eventually lead to significant decreases in revenue.

During the nine month period ended September 30, 2008 Allied was focused on overseeing the operation of our oil and gas assets by independent operators, evaluating opportunities for the development or acquisition of additional oil and gas assets and seeking out available oil and gas leases.

NINE MONTHS ENDED SEPTEMBER 30		2008		2007	CHANGE #	CHANGE %
<b>AVERAGE DAILY PRODUCTION</b>						
Oil (bbls/day)		10		2	8	400%
Natural gas (mcf/day)		320		308	12	4%
Barrels of oil equivalent (boe/day)		63		53	10	19%
<b>PROFITABILITY</b>						
Petroleum and natural gas revenue	\$	1,017,069	\$	611,329	406,140	66%
Net Revenue		1,017,069		611,329	406,140	66%
Production and operating costs		383,422		327,141	56,281	17%
Field netback		634,047		284,188	349,859	123%
G&A		133,943		126,127	7,816	6%
Depletion, depreciation and other charges		86,927		30,430	56,497	186%
Future income taxes		-		-	-	0%
Net earnings from operations	\$	413,177	\$	127,631	285,546	224%
<b>PROFITABILITY PER BOE</b>						
Oil and gas revenue (average selling price)		58.63		42.14	16.49	39%
Production and operating costs		22.10		22.55	(0.46)	-2%
Field netback (\$/boe)		36.54		19.59	16.95	87%
Net earnings (\$/boe)		23.81		8.80	15.01	171%
Cash flow from operations (\$/boe)		28.82		10.90	17.92	164%

### ***Gross Revenue***

Gross revenue for the three month period ended September 30, 2008 increased to \$324,317 from \$221,027 for the comparable period ended September 30, 2007, an increase of 47%. Gross revenue for the nine month period ended September 30, 2008 increased to \$1,017,469 from \$611,329 for the comparable period ended September 30, 2007, an increase of 66%. The increase in gross revenue in the current three and nine month periods can be attributed both to the realization of gross revenue from recently acquired well interests in Texas and increases in the prices paid for energy. Gross production of oil for the nine month period ended September 30, 2008 increased to 2,737 bbls from 519 bbls for the nine month period ended September 30, 2007, an increase of 427%. Gross production of gas for the nine month period ended September 30, 2008 increased to 87,721 MCF from 83,912 MCF for the nine month period ended September 30, 2007, an increase of 4%. Average oil and natural gas prices realized increased on a daily basis to \$58.63 per BOE over the nine months ended September 30, 2008 from \$42.14 per BOE on a daily basis over the nine months ended September 30, 2007, an increase of 39%.

Allied anticipates that gross revenue will decrease in the near term as prices paid for oil and gas have significantly diminished since July of 2008 though management believes that prices will again trend upward over the long term.

### ***Net Income***

Net income after provision for income taxes for the three month period ended September 30, 2008 was \$84,002, as compared to net income after provision for income taxes of \$28,545 for the comparable period ended September 30, 2007, an increase of 194%. Net income after provision for income taxes for the nine month period ended September 30, 2008 was \$280,527 as compared to net income after provision for income taxes of \$105,655 for the comparable period ended September 30, 2007, an increase of 166%. The increase in net income in the current three and nine month periods can be attributed to the increase in oil and gas revenues and production. Management expects that net income will decrease in near term future periods in line with decreases in revenues due to current energy prices.

### ***Expenses***

General and administrative expenses for the three month period ended September 30, 2008 decreased to \$44,674 from \$52,636 for the comparable period ended September 30, 2007, a decrease of 15%. General and administrative expenses for the nine month period ended September 30, 2008 increased to \$133,943 from \$126,127 for the comparable period ended September 30, 2007, an increase of 6%. The increase in general administrative expenses over the nine month periods can be primarily attributed to increases in accounting, consulting and professional fees. Allied anticipates that general and administrative expenses will remain relatively consistent over future periods.

Depletion expenses for the three month periods ended September 30, 2008, and September 30, 2007 were \$28,182 and \$10,276 respectively. Depletion expenses for the nine month periods ended September 30, 2008, and September 30, 2007 were \$86,927 and \$30,430 respectively. Depletion expenses will continue to increase as our oil and gas assets age.

Production costs for the three month periods ended September 30, 2008, and September 30, 2007 were \$129,111 and \$114,178 respectively, an increase of 13%. Direct production expenses for the nine month periods ended September 30, 2008 and September 30, 2007 were \$383,422 and \$327,141, an increase of 17%. Direct production expenses include the cost of maintaining the wells, severance taxes, miscellaneous expenses for soap, solvent, gasoline or electricity and expenses such as those incurred in swabbing, dozer work or rig time. The increase in direct production costs over the current three and nine month periods can be attributed to those costs associated with well maintenance to enhance production. Allied expects that direct production expenses will continue to increase over future periods as the ages of our wells increase and we continue to acquire or develop new production.

### ***Income Tax Expense***

As of December 31, 2007 Allied has a net operating loss (NOL) carry forwards of approximately \$2,892,000. Should substantial changes in our ownership occur there would be an annual limitation of the amount of NOL carry forward, which could be utilized. The ultimate realization of these carry forwards is due, in part, on the tax law in effect at the time and future events, which cannot be determined.

### ***Impact of Inflation***

Allied believes that inflation has had an effect on operations over the past three years in connection with production costs. Allied believes that it can offset inflationary increases in production costs by increasing revenue and improving operating efficiencies.

### ***Liquidity and Capital Resources***

Cash flow provided by operations for the nine month period ended September 30, 2008 was \$466,276 as compared to cash flow provided by operations of \$121,608 for the comparable period ended September 30, 2007. The increase in cash flow provided by operations in the current period can be primarily attributed to the increase in net income, an increase in depletion and amortization and an increase in a deferred tax asset over the prior period. Allied expects to that cash flow provided by operations may decrease in near term future periods.

Cash flow used in investing activities for the nine month periods ended September 30, 2008 was \$0 as compared to cash flow used in investing activities of \$510,205 for the comparable period ended September 30, 2007. Allied expects to use cash flow in investing activities over future periods as the company evaluates existing wells, identifies exploration opportunities and considers additional acquisitions.

Cash flow from financing activities for the nine month periods ended September 30, 2008 and September 30, 2007 was \$0. Allied does not expect to realize cash flow in financing activities in the near term.

Allied has a working capital surplus of \$1,095,685 as of September 30, 2008 and has funded its cash needs since inception with revenues generated from operations, debt instruments and private equity placements. Existing working capital and anticipated cash flow are expected to be sufficient to fund operations over the remainder of 2008 and into 2009.

Since earnings are reinvested in operations, cash dividends are not expected to be paid in the foreseeable future.

Allied had no lines of credit or other bank financing arrangements.

Commitments for future capital expenditures were not material at quarter-end.

Allied has adopted a stock option plan pursuant to which it can grant up to 750,000 options to purchase shares of its common stock to employees, directors, officers, consultants or advisors of the Company on the terms and conditions set forth therein. As of September 30, 2008, no options have been granted.

Allied has entered into an agreement for the continued engagement of its chief executive officer for a five year term effective July 1, 2008. The terms of the agreement include a monthly fee and participation in Allied's stock option plan.

Allied has no current plans for the purchase or sale of any plant or equipment.

Allied has no current plans to make any changes in the number of employees.

### ***Off Balance Sheet Arrangements***

As of September 30, 2008, Allied has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to stockholders.

### ***Forward Looking Statements and Factors That May Affect Future Results and Financial Condition***

The statements contained in the section titled Management's Discussion and Analysis of Financial Condition and Results of Operations, with the exception of historical facts, are forward looking statements within the meaning of Section 27A of the Securities Act. A safe-harbor provision may not be applicable to the forward looking statements made in this report because of certain exclusions under Section 27A (b). Forward looking statements reflect our current expectations and beliefs regarding our future results of operations, performance, and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These statements include, but are not limited to, statements concerning:

- our anticipated financial performance and business plan;
- uncertainties related to production volumes of oil and gas;
- the sufficiency of existing capital resources;
- uncertainties related to future oil and gas prices;
- uncertainties related the quantity of our reserves of oil and gas;
- the volatility of the stock market and;
- general economic conditions.

We wish to caution readers that our operating results are subject to various risks and uncertainties that could cause our actual results to differ materially from those discussed or anticipated, including the factors set forth in the section entitled "Risk Factors" included elsewhere in this report. We also wish to advise readers not to place any undue reliance on the forward looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than that is required by law.

### ***Stock-Based Compensation***

We have adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. We use the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. We have elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006, the first day of our fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123.

The Company has no outstanding stock options or related stock option expense as of September 30, 2008.

We account for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with SFAS No. 123R and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by EITF 96-18.

### ***Critical Accounting Policies and Estimates***

**Accounting for Oil and Gas Property Costs.** As more fully discussed in Note 1 to the Financial Statements, Allied (i) follows the successful efforts method of accounting for the costs of its oil and gas properties, (ii) amortizes such costs using the units of production method and (iii) evaluates its proven properties for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. Adverse changes in conditions (primarily gas price declines) could result in permanent write-downs in the carrying value of oil and gas properties as well as non-cash charges to operations that would not affect cash flows.

**Estimates of Proved Oil and Gas Reserves.** An independent petroleum engineer annually estimates Allied's proven reserves. Reserve engineering is a subjective process that is dependent upon the quality of available data and the interpretation thereof. In addition, subsequent physical and economic factors such as the results of drilling, testing, production and product prices may justify revision of such estimates. Therefore, actual quantities, production timing, and the value of reserves may differ substantially from estimates. A reduction in proved reserves would result in an increase in depreciation, depletion and amortization expense.

Estimates of Asset Retirement Obligations. In accordance with SFAS No 143, Allied makes estimates of future costs and the timing thereof in connection with recording its future obligations to plug and abandon wells. Estimated abandonment dates will be revised in the future based on changes to related economic lives, which vary with product prices and production costs. Estimated plugging costs may also be adjusted to reflect changing industry experience. Increases in operating costs and decreases in product prices would increase the estimated amount of the obligation and increase depreciation, depletion and amortization expense. Cash flows would not be affected until costs to plug and abandon were actually incurred.

### ***Critical Accounting Policies***

In Note 1 to the audited financial statements for the years ended December 31, 2007 and 2006, included in our Form 10-K, Allied discusses those accounting policies that are considered to be significant in determining the results of operations and its financial position. Allied believes that the accounting principles utilized by it conform to accounting principles generally accepted in the United States.

The preparation of financial statements requires Allied's management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, Allied evaluates estimates. Allied bases its estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions.

### ***Recent Accounting Pronouncements***

In May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon either mandatory or optional conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, "Accounting for Convertible Debt and Debt issued with Stock Purchase Warrants."

Additionally, FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We will adopt FSP APB 14-1 beginning in the first quarter of 2009, and this standard must be applied on a retrospective basis. We are evaluating the impact the adoption of FSP APB 14-1 will have on our consolidated financial position and results of operations.

In May 2008, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). This standard is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with generally accepted accounting principles in the United States for non-governmental entities. SFAS 162 is effective 60 days following approval by the SEC of the Public Company Accounting Oversight Board's amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles." We do not expect SFAS 162 to have a material impact on the preparation of our consolidated financial statements.

In April 2008, the FASB issued FSP No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). FSP 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under FASB Statement No. 142, "Goodwill and Other Intangible Assets". This new guidance applies prospectively to intangible assets that are acquired individually or with a group of other assets in business combinations and asset acquisitions. FSP 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early adoption is prohibited. We are currently evaluating the impact, if any, that FSP 142-3 will have on our consolidated financial statements.

In March 2008, the FASB issued SFAS 161 which amends and expands the disclosure requirements of SFAS 133 to provide an enhanced understanding of an entity's use of derivative instruments, how they are accounted for under SFAS 133 and their effect on the entity's financial position, financial performance and cash flows. The provisions of SFAS 161 are effective for the period beginning after November 15, 2008. Allied is currently reviewing the effect, if any, that the adoption of this statement will have on our financial statements.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not required.

### **ITEM 4T. CONTROLS AND PROCEDURES**

#### ***Evaluation of Disclosure Controls and Procedures***

In connection with the preparation of this report on Form 10-Q, an evaluation was carried out by Allied's management, with the participation of the chief executive officer and the chief financial officer, of the effectiveness of Allied's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")). Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

Based on that evaluation, Allied's management concluded, as of the end of the period covered by this report, that Allied's disclosure controls and procedures were effective in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the Commission's rules and forms.

#### ***Changes in Internal Control over Financial Reporting***

There have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the period ended September 30, 2008, that materially affected, or are reasonably likely to materially affect, Allied's internal control over financial reporting.



## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 1A. RISK FACTORS**

Our future operating results are highly uncertain. Before deciding to invest in us or to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this quarterly report. If any of these risks actually occur, our business, financial condition or results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you might lose all or part of your investment.

#### **Risks Related to Allied's Business**

***We have a history of significant operating losses, which losses may reoccur in the future.***

Since our inception in 1979, our expenses have often exceeded our income, resulting in losses and an accumulated deficit of \$6,088,253 at September 30, 2008. Although we have recorded a net income of \$280,527 for the nine month period ended September 30, 2008, we may return to operating losses in the future if revenues decline as the result of depleted oil and gas resources or price decreases, combined with the increased operating expenses that can be anticipated from aging wells. Our expectation of continued profitability depends on the sustainability of current energy prices and our ability to increase production through exploration, development or acquisition. Allied's success in this continued endeavor can in no way be assured.

***Oil and natural gas prices are volatile. Any substantial decrease in prices would adversely affect our financial results.***

Allied's future financial condition, results of operations and the carrying value of our oil and natural gas properties depend primarily upon the prices we receive for oil and natural gas production. Oil and natural gas prices historically have been volatile and are likely to continue to be volatile in the future. Allied's cash flow from operations is highly dependent on the prices we receive for oil and natural gas. This price volatility also affects the amount of Allied's cash flow available for capital expenditures and our ability to borrow money or raise additional capital. The prices for oil and natural gas are subject to a variety of additional factors that are beyond our control. These factors include:

- the level of consumer demand for oil and natural gas;
- the domestic and foreign supply of oil and natural gas;
- the ability of the members of the Organization of Petroleum Exporting Countries to agree to and maintain oil price and production controls;
- the price of foreign oil and natural gas;
- domestic governmental regulations and taxes;
- the price and availability of alternative fuel sources;
- weather conditions;
- market uncertainty;
- political conditions or hostilities in energy producing regions, including the Middle East; and
- worldwide economic conditions.

These factors and the volatility of the energy markets generally make it extremely difficult to predict future oil and natural gas price movements with any certainty. Declines in oil and natural gas prices would not only reduce revenue, but could reduce the amount of oil and natural gas that Allied can produce economically and, as a result, could have a material adverse effect on our financial condition, results of operations and reserves. Should the oil and natural gas industry experience significant price declines, Allied may, among other things, be unable to meet our financial obligations or make planned expenditures.

***Allied's future performance depends on our ability to find or acquire additional oil or natural gas reserves.***

Unless Allied successfully replaces the reserves that it produces, defined reserves will decline, resulting in a decrease in oil and natural gas production, that will produce lower revenues, in turn decreasing cash flows from operations. Allied has historically obtained the majority of its reserves through acquisition. The business of exploring for, developing or acquiring reserves is capital intensive. Allied may not be able to obtain the necessary capital to acquire additional oil or natural gas reserves if cash flows from operations are reduced, and access to external sources of capital is unavailable. Should Allied not make significant capital expenditures to increase reserves it will not be able to maintain current production rates and expenses will overtake revenue.

***The results of our operations are wholly dependent on the production and maintenance efforts of independent operators.***

The operation and maintenance of our oil and natural gas operations is wholly dependent on independent local operators. While the services provided by operators of our properties in the past have proven adequate for the successful operation of our oil and natural gas wells, the fact that we are dependent on operations of third parties to produce revenue from our assets could restrict our ability to continue generating a net profit on operations.

### **Risks Related to Allied's Stock**

***The market for our stock is limited and our stock price may be volatile.***

The market for our common stock is limited due to low trading volumes and the small number of brokerage firms acting as market makers. The average daily trading volume for our stock has varied significantly from week to week and from month to month, and the trading volume often varies widely from day to day. Due to these limitations there is volatility in the market price and tradability of our stock, which may cause our shareholders difficulty in selling their shares in the market place.

***Our internal controls over financial reporting may not be considered effective in the future, which could result in a loss of investor confidence in our financial reports and in turn have an adverse effect on our stock price.***

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 we are required to furnish a report by our management on our internal controls over financial reporting. Such report must contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the year, including a statement as to whether or not our internal controls over financial reporting are effective. This assessment must include disclosure of any material weaknesses in our internal controls over financial reporting identified by management. If we are unable to continue to assert that our internal controls are effective, our shareholders could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

***Allied does not pay dividends.***

Allied has not paid dividends on its common stock since inception and has no present intention of paying dividends in the foreseeable future. Any future dividends would be at the discretion of our board of directors and would depend on, among other things, future earnings, our operating and financial condition, our capital requirements, and general business conditions. Shareholders should not expect any direct cash flow from maintaining their investment in Allied stock.

***Allied may require additional capital funding.***

There can be no guarantee that we will not require additional funds, either through additional equity offerings or debt placements, in order to expand our operations. Such additional capital may result in dilution to our current shareholders. Further, our ability to meet short-term and long-term financial commitments will depend on future cash. There can be no assurance that future income will generate sufficient funds to enable us to meet our financial commitments.

***If the market price of our common stock declines as the selling security holders sell their stock, selling security holders or others may be encouraged to engage in short selling, depressing the market price.***

The significant downward pressure on the price of the common stock as the selling security holders sell material amounts of common stock could encourage short sales by the selling security holders or others. Short selling is the selling of a security that the seller does not own, or any sale that is completed by the delivery of a security borrowed by the seller. Short sellers assume that they will be able to buy the stock at a lower amount than the price at which they sold it short. Significant short selling of a company's stock creates an incentive for market participants to reduce the value of that company's common stock. If a significant market for short selling our common stock develops, the market price of our common stock could be significantly depressed.

***Allied's shareholders may face significant restrictions on their stock.***

Allied's stock differs from many stocks in that it is a "penny stock." The Commission has adopted a number of rules to regulate "penny stocks" including, but not limited to, those rules from the Securities Act as follows:

- 3a51-1 which defines penny stock as, generally speaking, those securities which are not listed on either NASDAQ or a national securities exchange and are priced under \$5, excluding securities of issuers that have net tangible assets greater than \$2 million if they have been in operation at least three years, greater than \$5 million if in operation less than three years, or average revenue of at least \$6 million for the last three years;
- 15g-1 which outlines transactions by broker/dealers which are exempt from 15g-2 through 15g-6 as those whose commissions from traders are lower than 5% total commissions;
- 15g-2 which details that brokers must disclose risks of penny stock on Schedule 15G;
- 15g-3 which details that broker/dealers must disclose quotes and other information relating to the penny stock market;
- 15g-4 which explains that compensation of broker/dealers must be disclosed;
- 15g-5 which explains that compensation of persons associated in connection with penny stock sales must be disclosed;
- 15g-6 which outlines that broker/dealers must send out monthly account statements; and
- 15g-9 which defines sales practice requirements.

Since Allied's securities constitute a "penny stock" within the meaning of the rules, the rules would apply to us and our securities. Because these rules provide regulatory burdens upon broker-dealers, they may affect the ability of shareholders to sell their securities in any market that may develop; the rules themselves may limit the market for penny stocks. Additionally, the market among dealers may not be active. Investors in penny stock often are unable to sell stock back to the dealer that sold them the stock. The mark-ups or commissions charged by the broker-dealers may be greater than any profit a seller may make. Because of large dealer spreads, investors may be unable to sell the stock immediately back to the dealer at the same price the dealer sold the stock to the investor. In some cases, the stock may fall quickly in value. Investors may be unable to reap any profit from any sale of the stock, if they can sell it at all.

Shareholders should be aware that, according to Commission Release No. 34-29093 dated April 17, 1991, the market for penny stocks has suffered from patterns of fraud and abuse. These patterns include:

- control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer;
- manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases;
- "boiler room" practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons;
- excessive and undisclosed bid-ask differentials and markups by selling broker-dealers; and
- the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS ON SENIOR SECURITIES**

None.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

Exhibits required to be attached by Item 601 of Regulation S-K are listed in the Index to Exhibits on page 22 of this Form 10-Q, and are incorporated herein by this reference.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

*Allied Resources, Inc.*

/s/ Ruairidh Campbell

November 13, 2008

Ruairidh Campbell

Chief Executive Officer, Chief Financial Officer, Principal Accounting Officer, and Director

## INDEX TO EXHIBITS

<i><b>Exhibit</b></i>	<i><b>Description</b></i>
3(i) *	Articles of Incorporation dated February 12, 2002 (incorporated by reference to the Form 10-SB/A filed on April 21, 2003).
3(ii) *	Bylaws (incorporated by reference to the Form 10-SB/A filed on April 21, 2003).
10(i) *	Oil and Gas Well Operating Agreement between Allied and Allstate Energy Corporation dated May 1, 1996 (incorporated by reference to the Form 10SB/A filed on April 21, 2003).
10(ii) *	Amendments to Operating Agreements between Allied and Allstate Energy Corporation dated May 10, 1996 (incorporated by reference to the Form 10SB/A filed on April 21, 2003).
10(iii) *	Form Gas Purchase Agreement (incorporated by reference to the Form 10SB/A filed on April 21, 2003).
10(iv)	Consulting Agreement between Allied and Ruairidh Campbell dated July 1, 2008 (attached).
14 *	Code of Ethics adopted May 3, 2004 (incorporated by reference to the Form 10-KSB filed on May 26, 2004).
31	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14 of the Securities and Exchange Act of 1934 as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (attached).
32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (attached).
99	Allied Resources, Inc. 2008 Stock Option Plan (attached).

\*            Incorporated by reference to previous filings of Allied.

## **CONSULTING AGREEMENT**

This Consulting Agreement (the “Agreement”) is made by and between Allied Resources, Inc. (“Company”) and Ruairidh Campbell (“Consultant”) for the purposes and considerations herein stated.

### **RECITALS**

1. WHEREAS, Consultant has been providing certain services to the Company; and
2. WHEREAS, the Company desires to continue the engagement of Consultant to be primarily responsible for carrying out on a day-to-day basis the strategic plans and policies established by the Company’s Board of Directors (the “Board”) in connection with the exploration, development and production of oil and gas; and
3. WHEREAS, Consultant desires to be engaged by the Company in accordance with the terms and conditions of this Agreement.

### **AGREEMENT**

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

1. **AGREEMENT TERM.** The term of this Agreement shall be five (5) years beginning on July 1, 2008, and ending on June 30, 2013 (the “Term”), unless terminated sooner pursuant to the termination provisions herein contained.
2. **POSITION AND DUTIES OF ENGAGEMENT.**
  - a. **Consulting Duties and Title.** The Company hereby engages Consultant to act as the President and Chief Executive Officer of the Company, pursuant to the terms hereof, and Consultant hereby accepts such engagement. Consultant’s duties and responsibilities generally shall be those customarily undertaken by the President of companies engaged in enterprises in which the Company is engaged, including but not necessarily limited to, general management and operations, responsibility for finance, administration, and human resources, and may include serving as a member of the Board. The Board may add, delete or otherwise alter Consultant’s duties and responsibilities, provided the Board shall make all assignments of duties and responsibilities in good faith and shall not materially alter the general character of the work to be performed by Consultant, who shall perform such duties and discharge such responsibilities as directed by the Board in a good and businesslike manner. Consultant’s duties shall be governed by such policies and procedures adopted by the Company from time to time that provide for the orderly administration of the workplace.
  - b. **Performance.** During the Term, Consultant shall (i) devote sufficient business time to the business of the Company; (ii) faithfully serve the Company; (iii) in all respects conform to and comply with the lawful and reasonable directions and instructions given to him by the Board in accordance with the terms of this Agreement; and (iv) use his reasonable business efforts to promote and serve the interests of the Company. Notwithstanding the foregoing, provided the following does not interfere with Consultant’s ability to perform his duties under this Agreement, Consultant may (i) participate in outside activities for remuneration; (ii) participate in the activities of professional trade organizations related to the business of Company or its affiliates; (iii) engage in personal investing activities; and (iv) devote reasonable amounts of time to civic, social, community, charitable or religious pursuits.

3. COMPENSATION AND BENEFITS.

a. Base Fee. The Company shall pay Consultant an annual base fee of One Hundred and Twenty Thousand and No/100 Dollars (\$120,000.00), which shall be payable monthly as it accrues, or at such other intervals as Company and Consultant may hereafter from time to time agree in writing. Further, the Company agrees to review Consultant's base fee and increase the amount payable commensurate with an increase in net pre-tax profits over the Term of the Agreement.

b. Annual Bonus. On each anniversary of the beginning of the Term, the Company, at its sole discretion, shall pay Consultant an annual bonus in an amount to be determined by the Board.

c. Stock Options. Consultant shall be granted options to purchase Five Hundred Thousand (500,000) shares of the Common Stock of the Company, which shall vest as indicated on the schedule set forth in Exhibit A attached hereto.

All stock options described herein shall be granted in accordance with the terms and conditions of the Company's 2008 Stock Option Plan. Notwithstanding anything to the contrary herein or in any other document or agreement between the Company and Consultant, each stock option granted to Consultant shall have an exercise price that is not less than the fair market value of the Company's Common Stock on the date of the grant.

d. Expenses. The Company shall reimburse Consultant for all reasonable travel, entertainment and out-of-pocket expenses incurred by Consultant in the course and scope of authorized Company business regardless of when incurred.

4. TERMINATION OF AGREEMENT.

a. By Company Without Cause. During the Term:

(i) The Company may terminate the Consultant's engagement at any time without cause upon sixty (60) days written notice.

(ii) In the event the Company terminates Consultant's engagement during the Term without cause pursuant to paragraph 4.a.(i), any stock options not vested in accordance with Exhibit A will automatically vest and Consultant shall have twelve (12) months in which to exercise any such remaining stock options. Any remaining stock options that have not been exercised at the end of said twelve (12) months shall expire.

(iii) In the event the Company terminates Consultant's engagement during the Term without cause pursuant to paragraph 4.a.(i), the Company shall pay Consultant an amount equal to twenty four (24) months of Consultant's then base salary plus any unpaid reimbursable expenses, any earned but unpaid annual bonus and any accrued but unpaid benefits.

b. By the Company With Cause.

(i) The Company may terminate Consultant's engagement at any time for cause.



(ii) The term “cause” shall mean (1) Consultant’s material failure, neglect or refusal to perform any duties, responsibilities or obligations specifically described in or assigned to him under article 2 of this Agreement; (2) any willful or intentional act of Consultant that has the effect of substantially injuring the reputation or business of the Company or any of its affiliates and any of their respective affiliates; (3) use of illegal drugs by Consultant or repeated drunkenness; (4) a plea of nolo contendere, admission of guilt or conviction of Consultant by a court of competent jurisdiction for the commission of (A) a felony or (B) a misdemeanor involving moral turpitude; (5) an act of fraud or embezzlement or material dishonesty by Consultant against the Company or any other person or entity; (6) excessive unexcused absenteeism not related to a disability; (7) other violations of policies adopted by the Company that provide for the orderly administration of the workplace; or (8) during the Term, any material violation of a covenant described in article 5 of this Agreement.

(iii) Company shall give Consultant written notice of the Company’s intention to terminate Consultant’s engagement for cause under paragraph 4.b.(i) (the “Cause Notice”). The Cause Notice shall state the particular action(s) or inaction(s) giving rise to cause for termination. If the cause for termination is capable of cure, Consultant shall have a reasonable time not to exceed thirty (30) days after a Cause Notice is communicated pursuant to paragraph 7.a. to perform or correct performance of the particular duties, responsibilities or obligations described in the Cause Notice. If Consultant performs and continues to perform as required, the Company shall not terminate Consultant’s engagement for cause based upon the reasons stated in the Cause Notice.

(iv) Upon termination by the Company for cause, Consultant shall be entitled only to accrued and unpaid compensation and benefits unreimbursed expenses and earned but unpaid bonuses as defined in article 3 of this Agreement through the date of termination, and any rights and benefits to which Consultant is entitled at law. Any stock options that have not vested at the time of termination of Consultant for cause shall expire, and Consultant shall have twelve (12) months from the date of termination to exercise any vested stock options, after which time, such vested options shall expire.

c. Termination of Engagement by Consultant.

(i) At any time during the Term, Consultant may terminate his engagement, with or without good reason, by giving sixty (60) days prior written notice of termination to the Company pursuant to paragraph 7.a.

(ii) The term “good reason” shall mean the occurrence of any of the following events: (1) Company shall fail to pay Consultant any compensation or benefits due under this Agreement and such failure shall not be remedied within ten (10) days after receipt of written notice from Consultant specifying such failure; or (2) Company shall materially breach any other provision of this Agreement and such breach shall not be remedied within a reasonable time after receipt by Company of written notice from Consultant specifying such breach.

(iii) In the event Consultant terminates his engagement with good reason during the Term, any stock options not vested in accordance with Exhibit A will automatically vest and Consultant shall have twelve (12) months in which to exercise those and any remaining unexercised stock options. Any remaining stock options that have not been exercised at the end of twelve (12) months shall expire.

(iv) Consultant shall give written notice to the Company of his intention to terminate his engagement for good reason under paragraph 4.c.(i) (the “Good Reason Notice”). The Good Reason Notice shall state the particular action(s) or inaction(s) giving rise to good reason for termination. Company shall have a reasonable time, not to exceed thirty (30) days after a Good Reason Notice is given, to perform or correct performance of the particular duties action(s) or inaction(s) described in the Good Reason Notice. If Company reasonably corrects performance of the action(s) or inaction(s) described in the Good Reason Notice, then Company shall not terminate Consultant’s engagement for good reason based upon the reasons stated in the Good Reason Notice.

(v) In the event Consultant voluntarily terminates his engagement without good reason at any time during the Term, he shall be entitled to the compensation, benefits, unreimbursed expenses and earned but unpaid bonus as defined in article 3 of this Agreement through the date of termination, and any rights and benefits to which Consultant is entitled at law. Any stock options that have not vested at the time Consultant voluntarily terminates without good reason shall expire, and Consultant shall have six (6) months from the date of termination to exercise any vested options, after which time, such vested options shall expire.

d. Termination of Engagement by Reason of Death. If Consultant shall die during the Term, this Agreement shall terminate automatically as of the date of death, and Company shall pay to Consultant’s legal representative (i) the compensation and benefits under article 3, which would otherwise be payable to Consultant up to the end of the month in which death occurs, and, to the extent applicable, (ii) any insurance or insurance proceeds, vested death benefits, compensation for accrued vacation or leave time, and (iii) any unpaid bonus for the prior fiscal period. In addition, any stock or stock options held by Consultant at the time of his death shall be treated in accordance with Company’s Stock Option Plan. In the event Consultant dies while performing his duties hereunder, in addition to any workers’ compensation or similar benefits, Company shall pay Consultant’s estate an amount equal to one (1) year of Consultant’s then base salary.

## 5. CONFIDENTIALITY.

a. Nondisclosure of Confidential Information. Consultant will have access to Confidential Information (defined below) during his engagement with Company. Except pursuant to his engagement hereunder, or as required to be disclosed by any law, regulation or order of any court or regulatory commission, department or agency, Consultant shall not use or disclose to any person or entity during the Term or at any time thereafter, any Confidential Information of Company.

(i) “Confidential Information” shall include all information regarding Company’s (or any of its affiliate’s) customers, vendors, suppliers, trade secrets, training programs, manuals or materials, technical information, seismic data, contracts, systems, procedures, mailing lists, know-how, trade names, improvements, price lists, financial or other data (including the revenues, costs or profits associated with Company’s products or services), business plans, code books, invoices and other financial statements, computer programs, software systems, databases, discs and printouts, plans (business, technical or otherwise), customer and industry lists, correspondence, internal reports, personnel files, sales and advertising material, telephone numbers, names and addresses or any other compilation of information, written or unwritten, which is or was used in the business of Company not in the public domain or generally known in the industry, in any form, and including without limitation all such information acquired by Consultant before or during the Term.

(ii) Consultant agrees and acknowledges that all Confidential Information, in any form, and copies and extracts thereof, are and shall remain the sole and exclusive property of Company and upon termination of his engagement under this Agreement, Consultant shall within a reasonable period of time return to Company the originals and all copies of any such information provided to or acquired by Consultant in connection with the performance of his duties for Company, and shall return to Company all such files, correspondence and/or other communications received, maintained and/or originated by Consultant during the course of his engagement.

6. DISPUTE RESOLUTION.

a. Resolution Procedure. The parties agree to resolve any dispute or controversy between Company and Consultant arising out of or in connection with the terms and provisions of this Agreement in accordance with the following:

(i) If any dispute or controversy arises out of or relates to this Agreement or any alleged breach hereof, the party desiring to resolve such dispute or controversy shall deliver a written notice of the dispute, including the specific claim in the dispute ("Dispute Notice") to the other party pursuant to paragraph 7.a. If any party delivers a Dispute Notice pursuant to this paragraph 6.a.(i), the parties involved in the dispute or controversy shall meet at least twice within the thirty (30) day period commencing with the date of the Dispute Notice and in good faith shall attempt to resolve such dispute or controversy through negotiation.

(ii) If any dispute or controversy is not resolved or settled by the parties as a result of negotiation pursuant to paragraph 6.a.(i) above, the parties shall in good faith submit the dispute or controversy to non-binding mediation in Salt Lake County before a mediator agreed upon by the parties. In the event the parties are unable to agree upon a mediator, the parties shall request that a mediator be appointed by the Salt Lake County Court or the Federal District Court. The parties shall bear the costs of such mediation equally.

(iii) Any dispute or controversy between Company and Consultant arising out of or relating to this Agreement or any breach of this Agreement that is not resolved by mediation pursuant to paragraph 6.a.(ii) above, the dispute or controversy shall be resolved through arbitration held in Salt Lake County, Utah, which arbitration shall be conducted in accordance with the rules and procedures of the American Arbitration Association in accordance with its Rules for the Resolution of Employment Disputes, then in effect. The arbitration of such issues, including the determination of any amount of actual damages suffered by any party hereto by reason of the acts or omissions of any party, shall be final and binding upon all parties. Except as otherwise set forth in this Agreement, the cost of arbitration hereunder, including the cost of record or transcripts thereof, if any, administrative fees, and all other fees involved, including reasonable attorneys' fees incurred by the party determined by the arbitrator to be the prevailing party, shall be paid by the party determined by the arbitrator not to be the prevailing party, or otherwise allocated in an equitable manner as determined by the arbitrator. The parties shall instruct the arbitrator to render his or her decision no later than ninety (90) days after submission of the dispute to the arbitrator.

b. Confidentiality. Each party agrees to keep all disputes, mediation and arbitration proceedings strictly confidential, except for disclosures of information in the ordinary course of business of the parties or by applicable law or regulation.

7. GENERAL PROVISIONS.

a. Notices. Any notices to be given hereunder by either party to the other may be effected by personal delivery in writing or by registered or certified mail, with postage prepaid and return receipt requested, addressed as follows:

If to Consultant, to: Ruairidh Campbell  
600 Westwood Terrace  
Austin, TX 78746  
Email: [ruairidhcampbell@msn.com](mailto:ruairidhcampbell@msn.com)

If to Company, to: Paul Crow  
1403 East 900 South  
Salt Lake City  
Utah 84105  
Email: [paulcrow@comcast.com](mailto:paulcrow@comcast.com)

Any party may change its address by written notice in accordance with this paragraph 7.a. Notices delivered personally shall be deemed communicated as of actual receipt; mailed notices shall be deemed communicated as of five (5) days after mailing by delivering the same into the care and custody of the United States Postal Service or other national postal service, by registered or certified mail, return receipt requested, with postage prepaid.

b. Entire Agreement. This Agreement and Exhibit A hereto supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the engagement of Consultant by Company and contains all of the covenants and agreements between the parties with respect to the subject matter hereof. Each party to this Agreement acknowledges that no representations, inducement, promises, or agreements, orally or otherwise, have been made which are not embodied herein, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing signed by the party to be charged.

c. Waiver and Amendments. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach, whether or not similar, unless such waiver specifically states that it is to be construed as a continuing waiver. This Agreement may be amended, modified or supplemented only by a written instrument executed by the parties hereto.

d. Law Governing Venue, Successors and Assigns. This Agreement shall be governed by and construed in accordance with the laws of the State of Utah, excluding its conflicts of laws principles. Each party consents to jurisdiction and venue for any suit relating to this Agreement in any court of competent jurisdiction in Salt Lake County, Utah, or the United States District Court for the District of Utah. This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors and assigns of the parties hereto (provided, however, that Consultant shall not have the right to assign this Agreement in view of its personal nature) and Company shall not assign or transfer this Agreement without the consent of Consultant.

e. Attorney's Fees and Costs. Except as otherwise provided in this Agreement, if any action is necessary to enforce or interpret the terms of this Agreement (including without limitation any actions for injunctive relief), the prevailing party shall be entitled to reasonable attorney's fees, costs and necessary disbursements in addition to any other relief to which the prevailing party may be entitled.

f. Severability. Should any term, covenant, condition or provision of this Agreement be held to be invalid or unenforceable, the balance of this Agreement shall remain in full force and effect and shall stand as if the unenforceable term, covenant, condition or provision did not exist.

g. Paragraph Headings. The paragraph and section headings of this Agreement are for reference only and shall not be considered in the interpretation of this Agreement.

h. Counterparts. It is also expressly understood that this Agreement may be executed and effective with multiple original signature pages.

EXECUTED to be effective this 1<sup>st</sup> day of July, 2008.

COMPANY:

ALLIED RESOURCES, INC.

By: /s/ Ed Haidenthaller  
Ed Haidenthaller, Director  
On Behalf of the Board of Directors

CONSULTANT:

/s/ Ruairidh Campbell  
Ruairidh Campbell

**EXHIBIT A****STOCK OPTION SCHEDULE**

During the Term, Consultant shall receive the following stock options in accordance with the Company's 2008 Stock Option Plan as follows:

Vesting Schedule	Number of Shares of Common Stock	Exercise Price Per Share
December 31, 2008	50,000	fair market value on the date of the grant
June 30, 2009	50,000	fair market value on the date of the grant
December 31, 2009	50,000	fair market value on the date of the grant
June 30, 2010	50,000	fair market value on the date of the grant
December 31, 2010	50,000	fair market value on the date of the grant
June 30, 2011	50,000	fair market value on the date of the grant
December 31, 2011	50,000	fair market value on the date of the grant
June 30, 2012	50,000	fair market value on the date of the grant
December 31, 2012	50,000	fair market value on the date of the grant
June 30, 2013	50,000	fair market value on the date of the grant

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ruairidh Campbell certify that:

1. I have reviewed this report on Form 10-Q of Allied Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the period presented in this report;
4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting (as defined in the Exchange Act Rules 13a-15(f) and 15d-15(f) for the small business issuer and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

Date: November 13, 2008

/s/ Ruairidh Campbell

Ruairidh Campbell

Chief Executive Officer and Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002

In connection with the report on Form 10-Q of Allied Resources, Inc. for the quarterly period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof, I, Ruairidh Campbell, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) This report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this report fairly represents, in all material respects, the financial condition of the small business issuer at the end of the period covered by this report and results of operations of the small business issuer for the period covered by this report.

Date: November 13, 2008

/s/ Ruairidh Campbell

Ruairidh Campbell

Chief Executive Officer and Chief Financial Officer

This certification accompanies this report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the small business issuer for the purposes of §18 of the Securities Exchange Act of 1934, as amended. This certification shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this report), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by §906 has been provided to the small business issuer and will be retained by the small business issuer and furnished to the Securities and Exchange Commission or its staff upon request.



**ALLIED RESOURCES, INC.  
2008 STOCK OPTION PLAN**

**ARTICLE ONE**

**GENERAL PROVISIONS**

**I. PURPOSE OF THE PLAN**

This 2008 Stock Option Plan is intended to promote the interests of Allied Resources, Inc., a Nevada corporation, by providing eligible persons who are employed by or provide services to the Corporation with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to continue in such employ or service. Options granted under this Plan are to be considered Nonstatutory Stock Options.

Capitalized terms shall have the meanings assigned to such terms in Article Four of this Plan.

**II. STRUCTURE OF THE PLAN**

The Plan shall be an Option Grant Program, under which eligible persons may be granted, at the discretion of the Plan Administrator, options to purchase shares of Common Stock. The options issued under this Plan are intended to be Nonstatutory Stock Options exempt from Code Section 409A.

**III. ADMINISTRATION OF THE PLAN**

A. The Plan shall be administered by the Board. However, any or all administrative functions otherwise exercisable by the Board may be delegated to the Committee. Members of the Committee shall serve for such period of time as the Board may determine and may be removed by the Board at any time. Also, the Board at any time may terminate the functions of the Committee and reassume all powers and authority previously delegated to the Committee.

B. Within the scope of its administrative jurisdiction under the Plan, the Plan Administrator shall have full power and authority subject to the provisions of the Plan:

1. to establish such rules as it may deem appropriate for proper administration of the Plan, to make all factual determinations, to construe and interpret the provisions of the Plan and the Awards thereunder and to resolve any and all ambiguities thereunder;
2. to determine, with respect to Awards made under the Option Grant Program, which eligible persons are to receive such Awards, the time or times when such Awards are to be made, the number of shares to be covered by such Awards, the vesting schedule (if any) applicable to such Awards, the status of a granted option as a Nonstatutory Stock Option, and the maximum term for which each option is to remain outstanding;
3. to amend, modify or cancel any outstanding Awards with the consent of the holder or accelerate the vesting of such Awards; and
4. to take such other discretionary actions as permitted under applicable law and pursuant to the terms of the Plan.

C. The Plan Administrator shall have full power and authority to establish such rules and regulations as it may deem appropriate for proper administration of the Plan and to construe, to make such determinations under, and to issue such interpretations of, the terms, restrictions and provisions of the Plan and any outstanding options issued thereunder as it may deem necessary or advisable. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or any agreements relating to option grants or stock issued thereunder. Decisions of each Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Plan or any option issued thereunder.

#### **IV. ELIGIBILITY**

A. The persons eligible to participate in the Plan are as follows:

1. Employees;
2. Non-employee members of the Board or the board of directors of any Parent or Subsidiary; and
3. Consultants.

B. The Board shall have the sole and absolute discretion to select Employees and other individuals who will be granted options in accordance with this Plan.

#### **V. STOCK SUBJECT TO THE PLAN**

A. The stock that may be issued under the Plan shall be shares of authorized but unissued or reacquired Common Stock of the Corporation. The total number of shares of Common Stock that may be issued over the term of the Plan shall not exceed Seven Hundred and Fifty Thousand (750,000) shares.

### **ARTICLE TWO**

#### **OPTION GRANT PROGRAM**

##### **I. OPTION TERMS**

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; provided, however, that each such document shall comply with the terms specified below.

A. **Exercise Price.**

1. The exercise price per share shall be established by the Plan Administrator and shall be equal to or greater than the Fair Market Value per share of Common Stock on the option grant date.

2. The exercise price shall become due immediately upon exercise of the option and, subject to the provisions of Section I of Article Three and the documents evidencing the option, shall be payable in cash or check made payable to the Corporation. If the Common Stock is registered under Section 12 of the 1934 Act at the time the option is exercised, then the exercise price may also be paid as follows:

(i) in shares of Common Stock held for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or

(ii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee concurrently shall provide irrevocable written instructions to (a) a Corporation-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. **Exercise and Term of Options.** Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option shall have a term in excess of ten (10) years measured from the option grant date.

C. **Cessation of Service.**

The following provisions shall govern the exercise of any options held by the Optionee at the time of cessation of Service or death:

1. Upon the Optionee's cessation of Service for any reason, the Optionee's option shall terminate immediately and cease to be outstanding with respect to any and all option shares for which the option is not otherwise at that time exercisable or in which the Optionee is not otherwise at that time vested (after taking into account any vesting acceleration provisions tied to the Optionee's cessation of Service under this Plan, any option agreement or any other written agreement between an Optionee and the Corporation); provided, however, should Optionee's Service be terminated for Misconduct, then notwithstanding anything to the contrary herein, all outstanding options with respect to all unvested shares at the date of such termination held by the Optionee shall terminate immediately and cease to remain outstanding.

2. Should the Optionee cease to remain in Service for any reason other than death or Disability, except as otherwise provided under an option agreement or any other written agreement between the Optionee and the Corporation, the Optionee shall have a period of three (3) months following the date of such cessation of Service during which to exercise each outstanding vested option held by such Optionee and not terminated or cancelled under subparagraph (1) above.

3. Should the Optionee's Service terminate by reason of Disability, then the Optionee shall have a period of twelve (12) months following the date of such cessation of Service during which to exercise each outstanding vested option held by the Optionee and not terminated or cancelled under subparagraph (1) above.

4. If, while holding an outstanding vested option, the Optionee's Service terminates by reason of the Optionee's death, then the personal representative of his or her estate or the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance shall have a period of twelve (12) months following the date of the Optionee's death to exercise such option.

5. During the applicable post-Service exercise period, the option may not be exercised in the aggregate for more than the number of vested shares for which the option is exercisable on the date of the Optionee's cessation of Service, plus any additional option shares for which vesting is accelerated due to such cessation of Service pursuant to the terms of the applicable option agreement or any other written agreement between an Optionee and the Corporation.

6. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any vested shares for which the option has not been exercised. Under no circumstances shall any such option be exercisable after the specified expiration of the option term.

D. **Shareholder Rights.** The holder of an option shall have no shareholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price, and become the recordholder of the purchased shares.

E. **Limited Transferability of Options.** At the discretion of the Plan Administrator and in connection with the Optionee's estate plan, a Nonstatutory Stock Option may be assigned in whole or in part during the Optionee's lifetime to one or more members of the Optionee's immediate family or to a trust established exclusively for one or more such family members. The assigned portion may be exercised only by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate.

## **II. CORPORATE TRANSACTION**

A. In the event of any Corporate Transaction and except as otherwise provided in an option agreement, each outstanding option that is not fully vested automatically shall accelerate so that immediately prior to the effective date of the Corporate Transaction, all shares subject to the option automatically shall vest and each such option shall become fully exercisable for all of the shares of Common Stock at the time subject to such option and may be exercised for any or all of those shares as fully-vested shares of Common Stock. However, an outstanding option shall not so accelerate if and to the extent: (i) such option is assumed in connection with the Corporate Transaction, otherwise continued in full force and effect by the successor corporation (or parent thereof) or replaced with a comparable option to purchase shares of the capital stock of the successor corporation (or parent thereof), (ii) such option is to be replaced with a cash incentive program of the successor corporation that preserves the financial spread existing between the exercise price on the option grant date and the Fair Market Value of the shares subject to the option on the effective date of the Corporate Transaction and provides for subsequent payout in accordance with the vesting schedule applicable to such option, or (iii) the acceleration of such option is subject to other limitations imposed by the Plan Administrator at the time of the option grant. The determination of option comparability under clauses (i) and (ii) above shall be made by the Plan Administrator, and its determination shall be final, binding and conclusive.

B. Immediately following the consummation of the Corporate Transaction, all outstanding options shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise expressly continued in full force and effect pursuant to the terms of the Corporate Transaction.

C. Each option that is assumed, otherwise continued in full force and effect, or replaced with a comparable option in connection with a Corporate Transaction shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities that would have been issuable to the Optionee in consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction. Appropriate adjustments to reflect such Corporate Transaction shall also be made to (i) the number and class of securities available for issuance under the Plan following the consummation of such Corporate Transaction and (ii) the exercise price payable per share under each outstanding option, provided the aggregate exercise price payable for such securities shall remain the same.

D. In the event an Optionee's Service should terminate by reason of an Involuntary Termination within eighteen (18) months following the effective date of a Corporate Transaction, the Plan Administrator shall have the discretion, exercisable at the time the option is granted or at any time while the option remains outstanding, to provide for the automatic acceleration of one or more outstanding options that do not otherwise accelerate at that time, as described in Section III.A. of this Article Two. Any options so accelerated shall remain exercisable until the earlier of (i) the expiration of the option term, or (ii) the expiration of the one (1) year period measured from the effective date of the Involuntary Termination.

E. Upon the occurrence of a Corporate Transaction, the Plan Administrator shall have the discretion, exercisable either at the time the option is granted or at any time while the option remains outstanding, to provide for the automatic acceleration of one or more outstanding options, as described in Section III.A. of this Article Two whether or not those options are to be assumed or replaced in the Corporate Transaction.

F. The grant of options under the Plan shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

### **III. CANCELLATION AND REGRANT OF OPTIONS**

The Plan Administrator shall have the authority to effect, at any time and from time to time, with the consent of the affected option holders, the cancellation of any or all outstanding options under the Option Grant Program and to grant in substitution new options covering the same or different number of shares of Common Stock but with an exercise price per share based on the Fair Market Value per share of Common Stock on the new grant date.

## **ARTICLE THREE**

### **MISCELLANEOUS**

**I. EFFECTIVE DATE AND TERM OF THE PLAN**

A. The Plan shall become effective when adopted by the Board. Subject to such limitation, the Plan Administrator may grant options under the Plan at any time after the effective date of the Plan and before the date fixed herein for termination of the Plan.

B. In its discretion, the Board may terminate the Plan at any time with respect to any shares of Common Stock for which Nonstatutory Stock Options have not been granted.

C. The Plan shall terminate upon the earliest of (i) the expiration of the ten (10) year period measured from the date the Plan is adopted by the Board, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully vested shares, or (iii) the termination of all outstanding options in connection with a Corporate Transaction. Upon such Plan termination, all options outstanding under the Plan shall continue to have full force and effect in accordance with the provisions of the documents evidencing such options, except as otherwise provided herein or in any agreements related to such stock options.

**II. AMENDMENT OF THE PLAN**

The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects from time to time. However, no such amendment or modification shall adversely affect any rights and obligations with respect to options at the time outstanding under the Plan, unless the Optionee consents to such amendment or modification. In addition, certain amendments may require shareholder approval pursuant to applicable laws and regulations, including, but not limited to, any amendment to the Plan that (i) increases the maximum aggregate number of shares that may be issued under the Plan or (ii) changes the class of individuals eligible to receive an option under the Plan.

**III. USE OF PROCEEDS**

Any cash proceeds received by the Corporation from the issuance of shares of Common Stock under the Plan shall be used for general corporate purposes.

**IV. WITHHOLDING**

The Corporation's obligation to deliver shares of Common Stock upon the exercise of any options issued under the Plan shall be subject to the satisfaction of all applicable Federal, state and local income and employment tax withholding requirements.

**V. REGULATORY APPROVALS**

The implementation of the Plan, the granting of any option under the Plan and the issuance of any shares of Common Stock upon the exercise of any option shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the options granted under the Plan and the shares of Common Stock issued pursuant to the Plan.

**VI. SHARE LEGENDS**

In addition to any other legends that the Board determines, in its discretion, are necessary or appropriate, the Corporation shall cause the legends set forth below, or legends substantially equivalent thereto, to be placed upon any certificate(s) evidencing ownership of the shares of Common Stock issued

under the Option Grant Program, together with any other legends that may be required by the Corporation or by state or federal securities laws:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SHARES HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT WITH RESPECT TO THE SHARES OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SAID ACT THAT IS THEN APPLICABLE TO THE SHARES, AS TO WHICH A PRIOR OPINION OF COUNSEL ACCEPTABLE TO THE ISSUER OR TRANSFER AGENT MAY BE REQUIRED.

#### **VII. NO EMPLOYMENT OR SERVICE RIGHTS**

Nothing in the Plan shall confer upon an Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee, which rights are hereby expressly reserved by each.

#### **VIII. UNFUNDED PLAN**

The Plan shall be unfunded. The Corporation shall not be required to establish any special or separate fund or to make any other segregation of funds or assets to insure any payments under this Plan.

#### **IX. NO RESTRICTION ON CORPORATE ACTION**

Nothing contained in the Plan shall be construed to prevent the Corporation (or any Parent or Subsidiary) from taking any corporate action that is deemed by the Corporation (or such Parent or Subsidiary) to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any option under the Plan. No Employee, Consultant, Board member, beneficiary, or other person shall have any claim against the Corporation or any Parent or Subsidiary as a result of any such action.

#### **X. GOVERNING LAW**

The Plan shall be construed in accordance with the laws of Utah.

### **ARTICLE FOUR**

#### **DEFINITIONS**

The following definitions shall be in effect under the Plan:

A. “**Applicable Laws**” shall mean the requirements for equity compensation plans and Awards under federal securities laws, the Code, applicable state corporate and securities laws, and the rules of any applicable stock exchange or national market system applicable to Awards.

B. “**Award**” shall mean the determination to make one or more grants under the Plan.

C. “**Board**” shall mean the Corporation’s board of directors.

- D. **“Code”** shall mean, the Internal Revenue Code of 1986, as amended.
- E. **“Committee”** shall mean a committee of one (1) or more Board members appointed by the Board to exercise one or more administrative functions under the Plan.
- F. **“Common Stock”** shall mean the Corporation’s voting common stock.
- G. **“Consultant”** shall mean any person who is not an Employee and who is providing services to the Company (or any Parent or Subsidiary) as an advisor, consultant, or non-common law employee.
- H. **“Corporate Transaction”** shall mean the occurrence in a single transaction or a series of related transactions, of any one or more of the following: (i) a sale or other disposition of all or substantially all of the assets of the Corporation and its Subsidiaries; (ii) a sale or other disposition of more than fifty percent (50%) of the outstanding stock of the Corporation; (iii) the consummation of a merger, consolidation or similar transaction after which the Corporation is not the surviving corporation; (iv) the consummation of a merger, consolidation, or similar transaction after which the Corporation is the surviving corporation but the shares outstanding immediately preceding the merger, consolidation, or similar transaction are converted or exchanged by reason of the transaction into other stock, property or cash; (v) a distribution by the Corporation (excluding an ordinary dividend or a stock split or stock dividend described in Treasury Regulation section 1.424-1(e)(4)(iv)).
- I. **“Corporation”** shall mean Allied Resources, Inc., a Nevada corporation and any corporate successor to all or substantially all of the assets or voting stock of Allied Resources, Inc., which shall by appropriate action adopt the Plan.
- J. **“Disability”** shall mean any physical or mental impairment that has lasted for a minimum of 2 months and that (i) can be expected to last for an additional period of not less than 10 months and (ii) prevents an Employee from engaging in such Employee's regular duties in furtherance of the business of the Corporation. Upon request by the Plan Administrator, a disabled Employee shall promptly submit a physician's statement attesting to or disclaiming the existence of such disability and shall promptly submit any other information or records deemed necessary by the Plan Administrator in this regard. The Plan Administrator shall have the right to require an examination of the disabled Employee by his medical examiner or physician, at the Corporation's expense. If there is disagreement as to whether an Employee is disabled, then determination of whether such disability exists shall be made by a physician mutually agreed upon by the physicians previously selected by the disabled Employee and the Plan Administrator. The decision of the physician appointed under the provisions of this Article shall be final and binding on the Corporation and the Employee.
- K. **“Employee”** shall mean an individual who is a common law employee of the Corporation (or any Parent or Subsidiary), except any employees excluded in writing by the Plan Administrator. For example, the Plan Administrator, in its discretion, may exclude from eligibility under this Plan any individuals who provide services to the Corporation (or any Parent or Subsidiary) through a labor contractor, staffing firm, temporary employment firm or agency or other third party, regardless of whether such employees are common law employees of the Corporation.
- L. **“Exercise Date”** shall mean the date on which the Corporation shall have received written notice of the option exercise.



M. **“Fair Market Value”** shall mean, as of any date, the fair market value of a Share determined as follows:

1. When there is a public market for the Shares, the Fair Market Value shall be determined by the closing price for a Share on the market trading day on the date of determination (and if a closing price was not reported on that date, then the arithmetic mean of the closing bid and asked prices at the close of the market on that date, and if these prices were not reported on that date, then the closing price on the last trading date on which a closing price was reported) on the stock exchange or national market system that is the primary market for the Shares; or

2. If the Plan Administrator, in its sole discretion, determines that the foregoing methods do not apply or produce a reasonable valuation, then Fair Market Value shall be determined by an independent appraisal that satisfies the requirements of Code Section 401(a)(28)(C) as of a date within twelve (12) months before the date of the transaction for which the appraisal is used, e.g., the date of the grant of the Award (the “Appraisal”). If the Plan Administrator, in its sole discretion determines that the Appraisal does not reflect information available after the date of the Appraisal that may materially affect the value of the Shares, then Fair Market Value shall be determined by a new Appraisal.

N. **“Involuntary Termination”** shall mean the termination of the Service of any individual that occurs by reason of any of an individual’s voluntary resignation (a) following (i) a change in the individual’s position with the Corporation (or Parent or Subsidiary employing the individual) that materially reduces the individual’s duties and responsibilities or the level of management to which the individual reports, (ii) a reduction in an individual’s level of compensation (including base salary, fringe benefits and target bonus under any corporate performance-based bonus or incentive programs) by more than fifteen percent (15%), or (iii) a relocation of an individual’s place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation without the individual’s consent, or (b) an individual’s resignation for “good reason.” For purposes of this Plan, the term “good reason” shall be defined as provided in any written employment agreement between the individual and the Corporation.

O. **“Misconduct”** shall mean a determination by the Corporation, pursuant to the procedures of any employment agreement between the Corporation and an Optionee, that an Optionee has: (1) materially failed, neglected or refused to perform the duties, responsibilities or obligations specifically described in or assigned to him or her under any employment agreement between the Optionee and the Corporation; (2) engaged in a willful or intentional act that has the effect of substantially injuring the reputation or business of the Corporation or any of its affiliates and any of their respective affiliates; (3) used illegal drugs or engaged in repeated drunkenness; (4) been the subject of a plea of *nolo contendere*, admission of guilt or conviction by a court of competent jurisdiction for the commission of (i) a felony or (ii) a misdemeanor involving moral turpitude; (5) engaged in an act of fraud or embezzlement or material dishonesty against the Corporation or any other person or entity; (6) excessive unexcused absences from work not related to a disability; (7) engaged in other violations of employment policies adopted by the Corporation that provide for the orderly administration of the workplace; or (8) during the term of any employment, materially violated any obligations not to disclose confidential information of the Corporation

P. **“1934 Act”** shall mean the Securities Exchange Act of 1934, as amended.

Q. **“Nonstatutory Stock Option”** shall mean an option not intended to satisfy the requirements of Section 422 of the Code.

- R. **“Option Grant Program”** shall mean the option grant program in effect under the Plan.
- S. **“Optionee”** shall mean any person to whom an option is granted under the Option Grant Program.
- T. **“Parent”** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation), owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- U. **“Plan”** shall mean the Allied Resources, Inc. 2008 Stock Option Plan, as set forth in this document.
- V. **“Plan Administrator”** shall mean either the Board or the Committee, to the extent the Committee at the time is responsible for the administration of the Plan.
- W. **“Service”** shall mean the provision of services to the Corporation (or any Parent or Subsidiary) by a person in the capacity of an Employee, a non-employee member of the Board, or a Consultant, except to the extent otherwise specifically provided in the documents evidencing the option grant.
- X. **“Share”** shall mean a share of Common Stock.
- Y. **“Subsidiary”** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain, at the time of the determination, owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.